

THE

BUSINESS REVIEW

Sup/Cut

FEDERAL RESERVE BANK OF PHILADELPHIA



LOAN AND INVESTMENT TRENDS

Third District bank loans rose rapidly after Korea but holdings of Governments declined as banks shifted to loans and other investments and acquired more reserves. Banks in all size groups and in all areas of the district participated in the loan increase.

DISTRICT DEPOSIT OWNERSHIP

Privately owned demand deposits were up in 1950, reflecting mainly the rapid expansion in bank loans. Virtually all ownership groups shared in the deposit increase.

VOLUNTARY CREDIT RESTRAINT

Commercial banks, insurance companies, and investment banks are cooperating in a plan to restrict credit expansion. The statement of principles provides guides as to when credit is inflationary.

CURRENT TRENDS

Employment and production increased, but building and trade were off. Bank loans continued upward and the money supply decreased seasonally.

LOAN AND INVESTMENT TRENDS

Commercial bank loans have risen \$10 billion since the outbreak in Korea. This increase is an all-time record for a comparable period of time. But this was a record-breaking period in many respects. In value of all goods and services produced, in personal income, business income, consumption expenditures, business expenditures for inventories, and wholesale prices, either record or at least very large increases were registered during this period.

This large expansion in bank credit reflects one of the major services rendered by commercial banks. Bank loans are important to the bank, to the borrower, and to the community. They are important to the bank as a major source of income; to the borrower as a major source of funds for working capital and other purposes; and to the community because an adequate supply of credit on terms suitable to the needs of borrowers is essential for economic growth and development.

The large increase in bank loans since mid-1950, however, emphasizes a unique feature of commercial banking. In making loans and investments to meet the credit needs of their customers, commercial banks place new deposits at their disposal. The deposits created by commercial bank loans and investments provide the major part of our total money supply.

This upsurge in bank loans added to the money supply when purchasing power was already excessive in relation to the supply of goods available. More money to spend means an increase in demand. When there is slack in the economy, an increase in demand results in more production; but when producers are unable to expand output, the result is higher prices. Higher prices enlarge the dollar volume of business, thus creating a need for still more credit. In meeting the enlarged credit need, however, banks pump still more deposit dollars into the spending stream. Each increase in prices or credit tends to generate another turn in the rising price-credit spiral.

Commercial banks, in making loans and investments, also influence the money supply. It is because of this dual role of commercial banking in our economy that loan and investment trends are of more than usual significance.

LOANS RISE

Member bank loans in the Third Federal Reserve District rose over \$400 million in 1950, or 23 per cent. About two-thirds of the increase occurred in the latter half of the year. Total loans of District member banks continued to rise in 1951 and at the end of March were about 25 per cent above a year ago. The swollen stream of credit flowing from our banks in the second half of the year spread over practically all types of loans, and stemmed from banks in all size groups and from all major geographical areas.

Types of Loans

Borrowing by businessmen, home buyers, and consumers generated most of the increase. In the Third District, about 57 per cent of the increase was in business loans, about 22 per cent in real estate loans, and about 17 per cent in "other loans to individuals," mostly consumer loans.

Business Loans. Throughout the post-war period, businessmen have drawn heavily on their future income by borrowing. At the end of 1950, commercial and industrial loans of Third District member banks were over 2½ times larger than at the end of 1945. Business loans of Third District member banks rose 32 per cent in 1950, almost three-fourths of the increase coming in the second half of the year. Business loans of weekly reporting member banks in the district are continuing to rise this year, and at the end of April were over 50 per cent above a year ago.

The strong business demand for credit reflects several developments accompanying the recent boom. Most important is the sharp rise in prices which occurred since Korea. Rising prices reacted on the demand for credit in a number of ways. Higher prices accounted for a larger part of the expanding dollar volume of business than increased physical output. A major part of the substantial rise in business inventories since mid-1950 reflected rising prices. In addition, the expectation of higher prices was an incentive for inventory accumulation. Other factors increasing the business demand for credit were a substantial rise in accounts receivable, rising wages and other costs,

an increase in the physical volume of business, and expenditures required by the enlarged defense program.

Real Estate Loans. New construction was a second major source of demand for bank credit. Real estate loans of Third District member banks totaled \$648 million at the end of 1950—an increase of nearly \$100 million during the year. About two-thirds of the increase occurred during the second half. Residential mortgages accounted for three-fourths of total real estate loans outstanding and for practically all of the year's increase.

Two factors were mainly responsible for the large volume of residential mortgage loans not only in 1950 but throughout the post-war period. New housing starts, which had been rising most of the period, reached an all-time peak in 1950. Rising construction costs and a record number of units combined to push construction expenditures to exceptionally high levels. An active rate of turnover of existing properties at high prices also added to the demand for mortgage credit. Reflecting these and other forces, residential mortgage loans of district member banks more than trebled from the end of 1945 to the end of 1950.

Consumer Loans. Korea touched off a buying spree by consumers as well as by business firms. People rushed to buy automobiles and major household appliances, such as freezers, refrigerators, washing machines, television sets, and radios, while they could get them and before prices went up. This wave of consumer buying marked the high point thus far of a wave of durable goods purchases which began as soon as goods became available after the war. Consumer expenditures for durable goods, for example, rose from \$17 billion in 1946 to \$29 billion in 1950. In the third and fourth quarters of 1950, such expenditures were at annual rates of \$34 billion and \$30 billion, respectively. Rising prices were an important factor expanding the dollar volume of consumer purchases.

Credit was one source of buying power which made possible this tremendous volume of spending. Consumers drew heavily on their future incomes to supplement incomes which were already at a high level. "Other loans to individuals," mostly loans to consumers, rose nearly 25 per cent in 1950. The major part of the increase was accounted for by instalment loans for the purchase of automobiles. Other instalment loans, mostly for the purchase of consumer durable goods, rose by approximately one-fifth.

By Size of Bank

The major part of the loan increase in the Third District was in the larger banks. The percentage rise varied directly with each size group, ranging from a high of 32 per cent for banks with total deposits of \$100 million and above to a low of 12 per cent for banks with deposits under \$5 million. Business loans, registered much greater percentage gains in the larger than in the smaller size groups. The percentage rise in real estate loans, mostly residential, and in instalment loans for the purchase of automobiles was also considerably greater in the larger banks, while other instalment loans to individuals showed little variation by size of bank. The pattern of increase among size groups was about the same for the second half of the year except that instalment loans other than for the purchase of automobiles also increased more rapidly in the two larger groups.

The most important reason, perhaps, for the more rapid loan expansion in the larger banks is that business loans accounted for a major part of the increase. This type of borrowing is naturally concentrated in the industrial and trade centers where the larger banks are located. Business loans are the major segment of the loan portfolios of the large city banks.

By Area

All major regions in the Third District participated in the loan expansion of 1950. For purposes of regional analysis, Third District member banks have been divided into the seven area groups of the Pennsylvania Bankers Association, the state of Delaware, and the district portion of New Jersey. The largest percentage increase in loans in 1950—well above the district increase of 23 per cent—was in P.B.A. Group 1 which includes Philadelphia. Member banks in all of the other P.B.A. groups had increases below that for the district as a whole. Banks in Group 4 and Group 7 registered the smallest gains—10 per cent and 7 per cent, respectively. The increase amounted to 16 per cent in the district portion of New Jersey, and 22 per cent in Delaware.

Business loans followed about the same regional pattern as total loans, except that there was a slight drop in Group 7 and only a very small rise in Group 6. Percentage-wise, residential real estate loans showed little variation among regions except for a 43 per cent increase in Group 1 as compared to the district rise of 19 per cent.

The direction of the major loan changes was the same in all Federal Reserve districts, but the rate of change varied as shown in the accompanying table. Percentage-wise, the increase in total loans was greatest in the Boston, New York, Minneapolis, and Chicago districts. The Cleveland, Richmond, Kansas City, San Francisco, and Dallas districts registered the smallest gains. The Third District rise was the same as for the country as a whole.

PERCENTAGE CHANGE IN LOANS IN 1950

*By Federal Reserve Districts
(All member banks)*

District	Total loans	Commercial and industrial	Real estate	Consumer*
Boston	+28	+36	+22	+23
New York	+27	+32	+30	+28
Philadelphia	+23	+32	+17	+23
Cleveland	+20	+21	+17	+27
Richmond	+20	+26	+12	+25
Atlanta	+24	+27	+26	+30
Chicago	+25	+31	+19	+28
St. Louis	+22	+27	+21	+21
Minneapolis	+26	+33	+34	+21
Kansas City	+19	+40	+19	+22
Dallas	+19	+32	+22	+30
San Francisco	+20	+21	+13	+29
Total United States	+23	+29	+19	+27

* "Other loans to individuals" mostly consumer loans.

Loans to business enterprises rose more sharply than total loans in all districts. The Third District rise of 32 per cent was slightly above the national increase of 29 per cent. The rate of expansion in real estate loans was not very uniform among the districts; the larger increases occurred in New York, Minneapolis, and Atlanta and the slowest rates of gain were in the Richmond and San Francisco districts. In consumer loans, the rate of increase was fairly uniform. The major departures from the national trend were the slower rates of expansion in the St. Louis, Minneapolis, and Kansas City districts.

INVESTMENTS DECLINE

Member bank investments in the Third District as well as nationally decreased in 1950, continuing the general downward trend which has characterized the post-war period except for short intervals such as the latter part of 1949. The drop in 1950 resulted from two diverse trends—a substantial drop in Governments and an increase in other investments. In the category of other investments, holdings of municipal securities increased substantially, while corporate securities showed little change. The major part of the decrease in Governments occurred in the

second half of the year, and holdings continued to decline in the first quarter of 1951.

The drop in investments reflected financial developments in the economy as a whole. It was closely related to the rise in loans. Government security holdings declined because of a shift to other types of earning assets and pressure on bank reserves. Additional reserves were needed to support deposits created as banks expanded their loans, and to meet the drain resulting from a substantial outflow of gold.

The major reason for the decrease in Governments was the shift from low-yielding Governments to higher yielding loans and other investments. The desire to meet customers' credit needs was reinforced by a strong inducement to take advantage of the spread between the yields on Governments and loans and other investments. As a result, banks and other lending agencies sold Governments to get funds for consumer, business, mortgage, and other types of loans. Treasury refundings also affected the composition of portfolios as well as influenced total holdings.

Investment trends in 1950 were fairly uniform among bank size groups and among regions of the Third District. Generally, the size groups and areas with the largest loan increases had the largest percentage decreases in Governments. Percentage-wise, there was a direct relation between size of bank and the liquidation of Governments. The decreases ranged from 7 per cent for banks with deposits of \$100 million and over to less than 1 per cent for banks with deposits of less than \$5 million. Government security holdings decreased in all regions in the Third District except Delaware and P.B.A. Groups 6 and 7, but the decline was very small in New Jersey and P.B.A. Groups 2 and 4. Municipal securities rose substantially in all except the largest size group and in all regions of the district except Group 1 where the larger banks are located. Corporate bonds showed little change except for a substantial decline in Delaware banks.

LONG-TERM TREND IN EARNING ASSETS

The sharp rise in loans and the decrease in investments during most of the post-war period emphasizes the reversal of the pre-war trend. During the 'twenties, bank resources, both in the Third District and nationally, were employed mainly in loans to business enterprises. In 1929, for example, loans accounted for 69 per cent of the earning assets of Third District member banks and 73 per cent for all member banks in the United States. The severe

depression in the early 'thirties brought a drastic liquidation of loans, the total for all member banks dropping from \$26 billion at the end of 1929 to \$12 billion at the end of 1934. Investments, on the other hand, notably Government securities, rose as deficit financing enlarged the supply of Treasury obligations. By 1940, the percentage of earning assets in loans was 43 for district member banks and 41 for all member banks.

World War II brought only a moderate rise in loans, but a huge increase in member bank holdings of Government securities. For example, total member bank loans rose from \$18 billion at the end of 1941 to \$23 billion at the end of 1945. Government securities, however, increased from \$20 billion at the end of 1941 to \$78 billion at the end of 1945. War financing generated a huge increase in total earning assets but much more than a proportionate rise in investments. As a result, Third District member banks had 75 per cent of their income-producing assets in Governments at the end of 1945, and only 16 per cent in loans.

Financing reconversion from war to peace and an expanding level of civilian production generated a strong demand for loans. With only brief interruptions, member bank loans have risen throughout the post-war period. Member bank loans, both in the district and the nation, just about doubled from the end of 1945 to December 31, 1950. Government security holdings, on the other hand, dropped sharply during this period, both in the district and nationally. The drop in Governments reflected the Treasury's program of retiring Government securities, and bank liquidation of Governments to obtain reserves to support new deposits and to expand their loans. Other investments rose moderately but provided only a small offset to the large decrease in holdings of Governments.

As a result of the increase in loans and decrease in investments, loan portfolios accounted for 37 per cent of district member bank earning assets at the end of 1950, as compared to 16 per cent at the end of 1945. The percentages for all member banks in the United States were 42 and 21, respectively. The post-war rise in loans and other investments just about offset the decline in Governments, so that total earning assets at the end of 1950 were only slightly higher than at the end of the war.

CONCLUSIONS

The loan rise of 1950, which was especially rapid in the second half of the year, was propelled by a sharp rise in

prices and costs, a substantial increase in the dollar value of inventories, growing accounts receivable, a general upsurge in consumer and business spending, and expanding defense production. The rise has continued in the early months of 1951, but at a more moderate rate. In the last few weeks, business loans, which have been the major factor in the rise, declined slightly. The big question is whether this recent leveling off of loans stems from a belated seasonal effect or from more deep-rooted causes.

In analyzing the outlook for the remainder of this year, it now appears that several factors may tend to reduce the rate of loan expansion. First, the sharp rise in prices—which was stimulated by loan expansion and which, in turn, generated a major part of the increased business demand for credit—shows signs of leveling off. There is some evidence that the anti-inflation program is materially reducing the rate of price increase. Second, expansion of inventories and accounts receivable—important factors, enlarging the working capital needs of business in recent months—is unlikely to continue at the recent rate; in fact, concern over the level of business inventories may check further expansion and even result in some liquidation. Third, accelerated payments from the Government to business on defense contracts should ease the pressure on private sources of funds for both working capital and plant and equipment expenditures. Finally, there is evidence that the drop in the price of Government securities will reduce substantially the liquidation of Governments to shift into loans and other investments.

On the other hand, there are strong underlying forces which will tend to bring about a further increase in loans. Defense production, which is now increasing rapidly, will enlarge the financing needs of many businesses participating directly and indirectly in the program. Current business plans call for an all-time record level of capital expenditures. Both defense and business capital expenditures, by generating substantial flows of personal income, will provide a large amount of purchasing power for consumers to spend. This underlying strength seems sufficient to offset temporary readjustments which may come from a change in inventory policy, from peace "scares," and from the dislocations accompanying conversion from civilian to defense production. The high level of business activity will generate a strong demand for bank credit, but the rate of increase is likely to be less than in the second half of 1950.

TRENDS IN THIRD DISTRICT DEPOSIT OWNERSHIP

Periodically, the Federal Reserve Banks make a survey of deposit ownership in the nation's banks. The most recent survey was made as of January 31, 1951, and the results of the survey in the Third District are the subject of this article.

Deposits change in two important ways: the aggregate of all deposits tends to move up and down in response to certain influences, and the ownership of deposits shifts from one segment of the economy to another as goods and services are produced and exchanged.

Changes in the Level of Deposits

Several factors influence the aggregate or level of deposits: the movement of gold, changes in the volume of currency in circulation, and the volume of loans and investments made by the commercial banks. For example, an inflow of gold, a return flow of currency to the banks, and an increase in bank loans, as pointed out in the previous article, raise the volume of deposits.

In 1950, the level of privately owned demand deposits in member banks throughout the nation rose about 10 per cent. This development was due chiefly to a substantial increase in the volume of loans. The rise in the volume of business loans came with a spurt in the last seven months of the year, as the emerging forces of inflation pushed up both the volume and the cost of doing business and the need, therefore, for a greater amount of bank credit. A portion of the reserves providing the basis for the increase in bank loans was obtained by liquidating bank investments, which at the end of 1950 were about 4 per cent smaller than a year earlier. There was a loss of \$1.6 billion of gold. The volume of money in circulation remained virtually unchanged. U. S. Treasury deposits in Federal Reserve Banks were \$200 million smaller at the end of the year than at the outset.

The aggregate of deposits in member banks in the Third Federal Reserve District followed the national trend upward but at a somewhat faster rate. The increase in demand deposits of individuals, partnerships, and corporations in banks in this district in 1950 amounted to 11 per cent as against about 2.5 per cent in 1949. For the past two years, this district has gained deposits in relation to the national total, and as a result has improved its position

slightly with respect to the proportion of total demand deposits domiciled here. The proportion, 5.2 per cent on December 31, 1948, rose to 5.3 per cent at the close of 1949 and to 5.4 per cent at the end of last year.

Changes in Deposit Ownership

Deposits are constantly changing hands. As money is desired, not for itself but for the goods and services which it can buy, people are constantly paying others for goods purchased and services rendered. Such payments are necessarily made out of receipts, and these include income, funds derived from the liquidation of investments, and funds borrowed against future income. Shifts in the ownership of deposits, therefore, become essentially a matter of the balance of payments among individuals or groups. An increase in receipts—from whatever source—over the volume of payments results in an increase in deposits to that individual or group. Conversely, an excess of payments over receipts results in a reduction in the amount of deposits owned by that individual or group.

The survey of the ownership of demand deposits of individuals, partnerships, and corporations in this district as of January 31, 1951, disclosed little change in the relative importance of the various ownership groups. Balances of business concerns amounted to more than half of the total aggregate of demand deposits, and personal deposits, in-

TABLE I

*Distribution of Demand Deposits, January 31, 1949-1951,
All Commercial Banks—Third Federal Reserve District*

	1951	1950	1949
Manufacturing and mining...	21.6%	21.4%	20.9%
Public utilities	5.3	5.3	5.6
Trade	13.7	14.0	14.2
Other non-financial	5.3	5.4	5.4
Total	45.9%	46.1%	46.1%
Insurance	2.8	2.8	2.6
Other financial	6.5	6.3	5.7
Total	55.2%	55.2%	54.4%
Trust funds	4.5	4.5	4.7
Non-profit	4.2	4.0	4.1
Personal	36.1	36.3	36.7
Foreign	0.0	0.0	0.1
Total	100.0%	100.0%	100.0%

cluding those of farmers, represented more than one-third of the total. Of the deposits owned by business concerns, those held by manufacturing and mining concerns accounted for the largest single aggregate. Enterprises engaged in trade ranked second in importance in this deposit ownership group, and were followed in the order of their importance by financial enterprises, other than insurance companies, by public utilities, by concerns engaged in construction and in the services, and by the insurance companies in the district. During the 12 months ended January 31, 1951, the shift in the relative importance of these groups amounted to less than 1 per cent—a fact indicating stability among the groups.

As the deposit level throughout the district rose last year by a considerable amount, it was to be expected that most of the groups would show an increase in the amount of deposits owned. This, in fact, was what happened. The only exception to the rising trend of deposits was provided by foreign-owned balances, which declined 39 per cent during the year but these comprise an exceedingly small part of the total. Equally significant is the fact that most of the groups reported larger increases in deposits in 1950 than in the previous year.

Percentage-wise, the increase in balances of business concerns and in personal deposits was about the same, and both classes of deposits registered larger advances than in 1949. Of the business-held deposits, those owned by financial concerns, except insurance companies, led the list in the rate of increase and were followed in order by balances of manufacturing and mining concerns, public utilities,

concerns engaged in retail and wholesale trade, insurance companies, construction and service enterprises. Of these, only the deposits owned by financial, construction, and service organizations showed a smaller increase than in the previous year.

The unequal rate of increase in deposits owned by the several groups points up the movement of funds among these groups. Several of them—non-profit institutions; investment, loan and real estate concerns; manufacturing and mining enterprises; and public utilities—tended to accumulate funds faster than the average for the district. The availability of funds for investment and for charitable purposes, combined with the extraordinary amount of business transacted by industry concentrated in this district, would appear to be mainly responsible for this result. The fact that the growth in personal deposits followed close behind the average for the district as a whole is a reflection of the high level of personal income after taxes, for the increase in personal balances was achieved in spite of a record level of expenditures during the latter half of the year.

The movement of deposits among groups within this district was at some variance with the national trends. In the district, personally owned balances moved up faster. Among other non-business groups, deposits owned by non-profit associations in the district also increased by a greater percentage. Balances of trust funds increased at about the same rate. Foreign-owned deposits moved counter to the national trend.

Among the business groups, balances of non-financial concerns in the district, particularly manufacturing and mining concerns and public utilities, advanced at a slower rate than nationally. Deposits owned by financial concerns in the district also increased less, percentage-wise, with the exception of balances owned by insurance companies.

As in 1949, deposits of corporate enterprises grew faster than those of unincorporated concerns. This was particularly true of corporations engaged in lending and in the real estate business, of manufacturing and mining companies, and of public utilities. Corporations engaged in trade also increased their deposits faster than unincorporated enterprises in the same category. These trends followed the national pattern.

The survey of January 31, 1951 revealed that commercial banks with demand deposits of \$1 million to \$10 million and \$10 million to \$100 million experienced the greatest gains, percentage-wise—the increase in demand

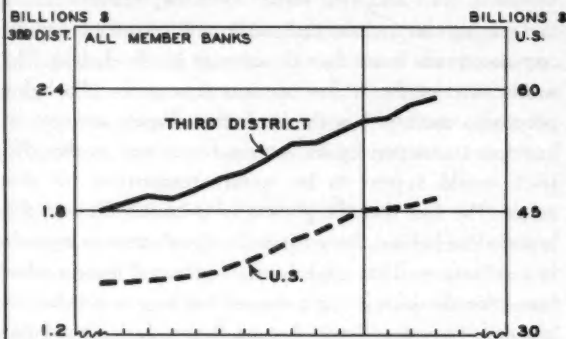
TABLE 2

*Changes in Ownership of Demand Deposits
All Commercial Banks—Third District*

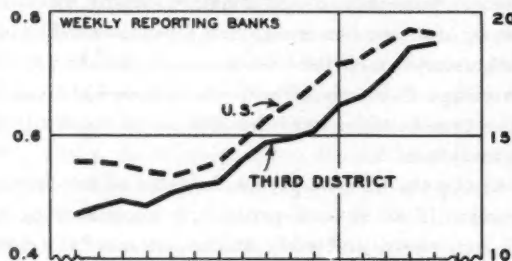
	(Million dollars)		(Per Cent)	
	1950-1951	1949-1950	1950-1951	1949-1950
Manufacturing and mining ..	+ 79	+ 56	+ 8.4	+ 6.3
Public utilities..	+ 17	— 3	+ 7.4	— 1.1
Trade	+ 35	+ 12	+ 5.6	+ 2.0
Other				
non-financial ..	+ 8	+ 12	+ 3.3	+ 5.0
Total	+139	+ 77	+ 6.8	+ 3.9
Insurance	+ 6	+ 15	+ 5.1	+13.3
Other financial..	+ 31	+ 35	+10.8	+14.4
Total	+176	+127	+ 7.2	+ 5.5
Trust funds	+ 13	+ 1	+ 6.5	+ 0.6
Non-profit	+ 23	+ 3	+13.0	+ 2.0
Personal	+112	+ 43	+ 7.0	+ 2.7
Foreign	— 1	— 1	—39.4	—28.7
Total	+323	+173	+ 7.3	+ 4.1

EARNING ASSETS AND DEPOSITS

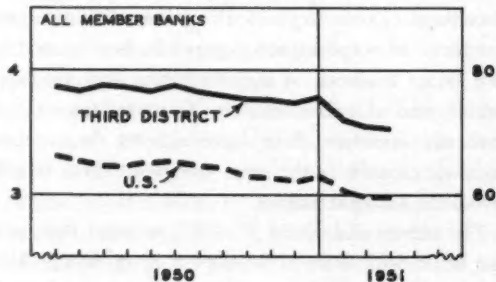
TOTAL LOANS CLIMBED



BUSINESS LOANS ACCOUNTED FOR MOST OF THE RISE

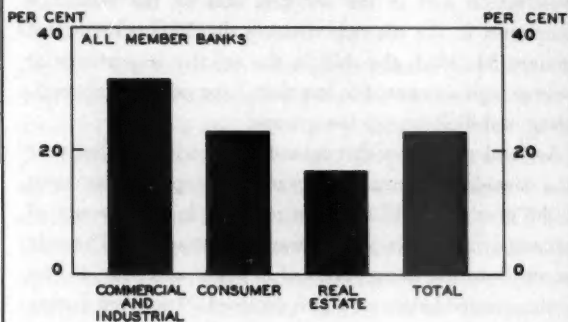


INVESTMENTS DECLINED

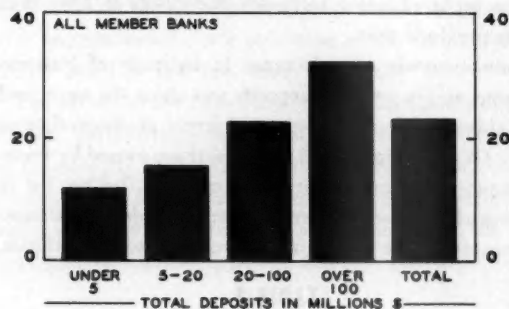


DISTRICT LOAN RISE IN 1950 WAS GREATER IN:

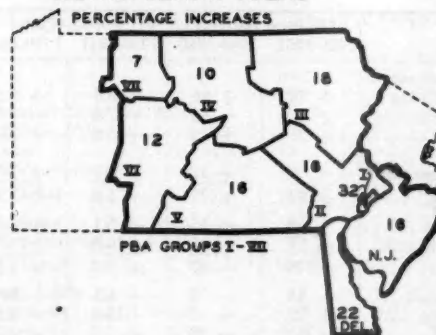
BUSINESS LOANS



LARGER BANKS

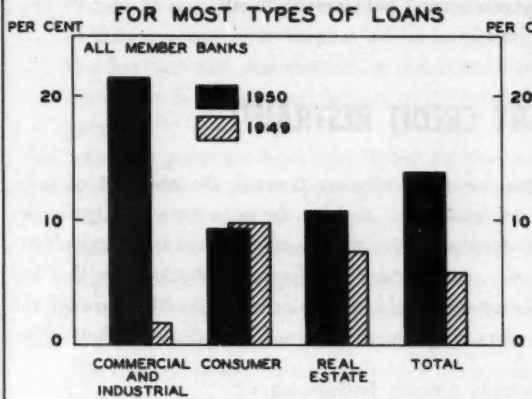


METROPOLITAN AREAS

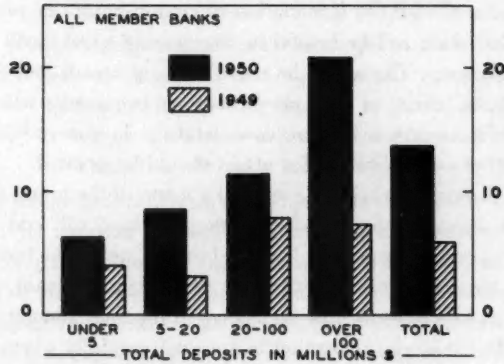


OF THIRD DISTRICT BANKS

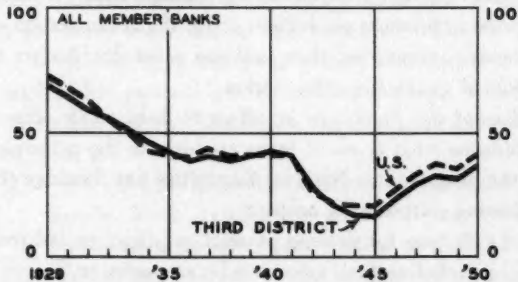
JUNE-DECEMBER 1950 DISTRICT LOAN
RISE GREATER THAN 2ND HALF OF 1949:



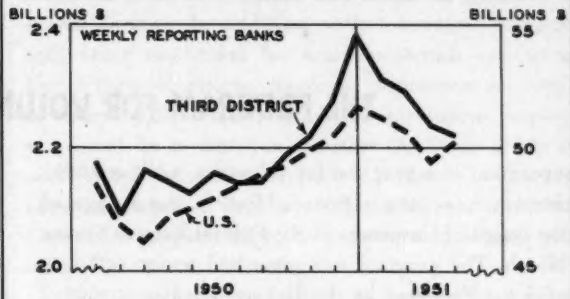
AND IN ALL BANK SIZE GROUPS



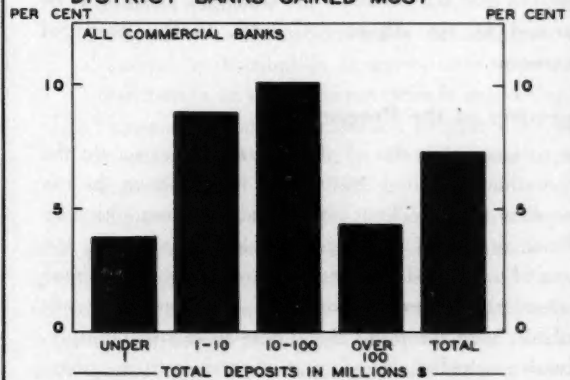
LOANS AS PERCENTAGE OF EARNING
ASSETS RISING



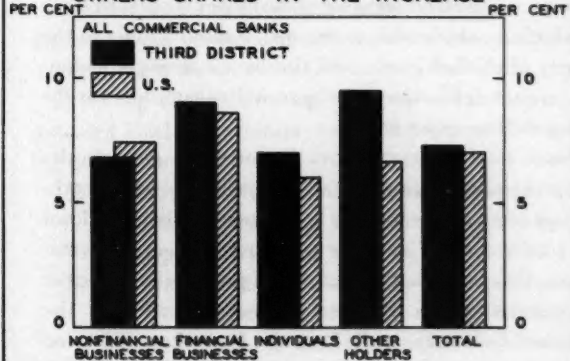
THE LEVEL OF DEMAND DEPOSITS ROSE



PERCENTAGE-WISE, MEDIUM SIZE
DISTRICT BANKS GAINED MOST



NEARLY ALL DISTRICT GROUPS OF DEPOSIT
OWNERS SHARED IN THE INCREASE



deposits of individuals, partnerships, and corporations in these institutions being more than twice that of institutions with demand deposits in excess of \$100 million and with deposits under \$1 million. This constitutes a variation from the results achieved last year when banks with demand deposits in excess of \$100 million experienced the greatest gains. Smaller banks reversed the trends of 1948 and 1949 and reported an increase of nearly 4 per cent in their

demand deposits. Banks with demand deposits in excess of \$100 million gained in the volume of corporate-owned deposits, but balances owned by unincorporated concerns declined. Banks with demand deposits ranging from \$1 million to \$10 million and \$10 million to \$100 million gained in both categories. Smaller banks gained in the volume of deposits of unincorporated enterprises, but corporate-owned balances declined.

THE PROGRAM FOR VOLUNTARY CREDIT RESTRAINT

Inauguration of a program for voluntary credit restraint, initiated at the request of financial leaders, was announced by the Board of Governors of the Federal Reserve System in March. The program was organized under authority granted the President by the Defense Production Act of 1950. The President then delegated this authority, on the condition that actions under the voluntary agreements be approved by the Attorney General, to the Board of Governors.

Objectives of the Program

The primary objective of the program is to secure the cooperation of lending institutions in restricting the use of credit so that it will not contribute to inflation. Checking inflation is one of the major problems confronting the people of the United States at the present time. The volume of spending has been in excess of the supply of goods available, with the result that prices have risen sharply. Excessive spending stems from several sources—rising money incomes, a record amount of borrowing, the use of savings, and a faster turnover of the money supply. Defense production, which adds to incomes without adding to the supply of civilian goods, will also have a strong inflationary impact unless taxes are increased enough to meet the rising defense expenditures.

Since total production can be increased only slowly, the problem of checking inflation is primarily one of curbing spending and demand. It is apparent that holding down the total volume of spending will require action on several fronts. One important part of such a program is to restrict the creation of new purchasing power by borrowing. The National Voluntary Credit Restraint Committee has stated that the purpose of the program is to extend credit in such a way that it will: "help maintain and increase the strength

of the domestic economy through the restraint of inflationary tendencies" and "at the same time to help finance the defense program and the essential needs of agriculture, industry, and commerce." Everyone would agree that one of the most desirable ways to restrict credit is through the voluntary cooperation of financial institutions themselves.

When Is Credit Inflationary?

Translating the objectives of this program into a plan of action calls for the formulation of certain guides or principles which will be helpful in determining when credit is inflationary. The use to be made of the proceeds and the probable effect on total production are two guides which should be given careful consideration in determining whether an application for credit should be granted.

In connection with the use to be made of the proceeds, it is important to consider whether the loan will add to total purchasing power. It will, of course, unless the funds are secured from the repayment of outstanding loans, in which case there will be no change in the total amount of credit. It is also important to consider carefully whether the use of the funds will tend to increase the supply of goods available for purchase. For example, will the funds be used to promote production or for the accumulation of excessive inventories, thus enabling some distributors to withhold goods from the market.

Use of the Funds. In an effort to help credit officers determine what types of loans conform to the principles of the program, the National Committee has classified the following purposes as proper:

- (1) "Loans for defense production, direct or indirect, including fuel, power, and transportation."
- (2) "Loans for the production, processing, and orderly distribution of agricultural and other staple prod-

ucts, including export and import as well as domestic, and of goods and services supplying the essential day-to-day needs of the country."

- (3) "Loans to augment working capital where higher wages and prices of materials make such loans necessary to sustain essential production, processing or distribution services."
- (4) "Loans to securities dealers in the normal conduct of their business or to them or others incidental to the flotation and distribution of securities where the money is being raised for any of the foregoing purposes."

The following purposes have been listed by the Committee as not conforming to the principles of the program:

- (1) "Loans to retire or acquire corporate equities in the hands of the public, including loans for the acquisition of existing companies or plants where no over-all increase of production would result."
- (2) "Loans for speculative investments or purchases. The first test of speculation is whether the purchase is for any purpose other than use or distribution in the normal course of the borrower's business. The second test is whether the amounts involved are disproportionate to the borrower's normal business operations. This would include speculative expansion of real estate holdings or plant facilities as well as speculative accumulation of inventories in expectation of resale instead of use."

It is recognized, of course, that larger than normal amounts may be required by borrowers engaged in defense production and under certain other special circumstances.

The National Committee has announced plans to issue bulletins from time to time on specific credit problems of interest to cooperating institutions. The first bulletin issued by the Committee concerned inventory financing. This bulletin pointed out that inventories were at peak levels; that inventory accumulation had contributed directly to the rise in wholesale and retail prices; and that it had created undue competition for scarce materials. In view of this situation, the Committee requested all financial institutions to:

- (1) "Refrain from financing inventory increases above normal levels relative to sales, or reasonable requirements by other conservative yardsticks."
- (2) "Encourage borrowers who already have excess inventories to bring these commitments and inventory positions in line as promptly as is reasonably

practical, thereby reducing the amount of credit being used in this manner."

A second bulletin issued by the National Committee deals with the problem of restricting the financing of business capital expenditures. The Committee pointed out that if current plans to spend nearly \$24 billion for new plant and equipment in 1951—an increase of nearly 30 per cent over 1950—are realized, the funds required are likely to exceed savings. In addition, such investment competes with other production for scarce materials and labor. Under these conditions, financing institutions are urged to screen applications for credit for investment purposes very carefully to determine whether the funds are to be used for defense, defense-supporting industries, or for non-essential purposes. Among non-essential uses which the Committee suggests might be postponed to a more propitious time are the following:

- (1) "Construction of facilities to improve the competitive position of an individual producer of non-essential goods."
- (2) "Expansion and modernization expenditures of concerns in distribution or service lines where the distribution or service is not defense supporting."
- (3) "Expansion and modernization programs for the manufacture of consumer goods not related to the defense effort."

In its Bulletin No. 3 issued May 7, dealing with state and local government borrowing, the Voluntary Credit Restraint Committee urged financing institutions to "carefully screen loans to state and local governments as well as loans to other borrowers." The Committee stated that soldiers' bonus issues are inflationary under present conditions and therefore it would seem desirable to postpone such issues until a time when the added purchasing power would be needed in counteracting unemployment and when it might therefore be more beneficial to the veteran.

Financing of the following types of capital outlays of state and local governments should be postponed, according to the Committee:

- (1) Replacement of any existing facilities that can continue to perform their function during the emergency period.
- (2) Construction of facilities of the types not recommended by the defense production administration—such as recreational facilities and war memorials.
- (3) Acquisition of sites or rights-of-way not immediately needed.

- (4) Purchase of privately-owned utilities by municipalities, which involves borrowing to replace equity capital.

Charles E. Wilson, Director of Defense Mobilization, has requested state and local officials to submit financing plans involving \$1 million or more to the Regional Subcommittees for a ruling as to whether they conform to the principles of the Program before negotiation for the private sale of such securities or advertising for public sale.

Effect on Total Production. In determining the inflationary impact of credit, it is necessary to extend the analysis beyond the purpose of the loan and the individual business to the economy as a whole. Granting that it is for essential productive purposes, a loan has an inflationary effect unless it results in a corresponding increase in the total physical supply of goods to match the new buying power created. If, for example, the credit granted merely enables the borrower to bid scarce machinery, labor, and materials away from someone else, the borrower's volume of business has been enlarged but that of other businesses has been reduced. Total production for the economy as a whole remains unchanged. Under these circumstances, even a loan for productive purposes is inflationary because it increases buying power without increasing the total quantity of physical goods and services available for purchase.

In the last analysis, it is clear that if the inflationary effects of credit are to be eliminated, both the use of credit must be limited to essential productive purposes and the total quantity of credit must not be permitted to rise more rapidly than the physical quantity of production can be increased. The National Committee stated the latter aspect of the problem in these words: "Any increase in lending at a more rapid rate than production can be increased exerts an inflationary influence."

Implementing the Program

Working with the Board of Governors and exercising general supervision over the program is the National Voluntary Credit Restraint Committee. This Committee, appointed by the Board of Governors, is composed of 12 members, 4 representing the life insurance companies, 4 representing the commercial banks, and 4 representing the investment banks.

The National Committee has designated 20 subcommittees to be available for consultation in assisting individual financial institutions to determine whether specific loans

come within the principles of the program. There are 12 regional subcommittees for dealing with the problems of commercial banks, one in each Federal Reserve District. There are 4 regional subcommittees—Eastern, Midwestern, Southwestern, and West Coast—for dealing with the problems of insurance companies, and a similar number to work with investment banks.

The Committee set up in the Third Federal Reserve District to deal with commercial banking problems consists of the following members:

- Frederic A. Potts, Chairman
President, The Philadelphia National Bank
Philadelphia, Pa.
- Carl H. Chaffee, Vice President, The First National Bank of Philadelphia, Philadelphia, Pa.
- George P. Edmonds, President, Wilmington Trust Company, Wilmington, Delaware
- J. Wilson Steinmetz, President, The Ninth Bank and Trust Company, Philadelphia, Pa.
- Frank Stemple, Executive Vice President, The First National Bank of Scranton, Scranton, Pa.
- Frank W. Sutton, Jr., President, The First National Bank of Toms River, Toms River, N. J.
- W. J. Davis, First Vice President, Federal Reserve Bank of Philadelphia, Philadelphia, Pa.

The local Committee has stated that its primary function will be, "to serve the banks in the Third Federal Reserve District in an advisory capacity to aid them in their efforts to observe the principles set forth in the Program governing the extension of credit. The Committee will be glad to assist individual banks to resolve questions which they may have as to the appropriateness under the Program of any loan under consideration. It would be helpful to this Committee if you did not submit requests for opinion on loans which you do not desire to make." To facilitate the work of the Committee, forms have been distributed for the use of banks in submitting requests for the consideration of a specific loan.

The subcommittee established in the Eastern District to deal with the problems of insurance companies is under the chairmanship of Mr. Frazar B. Wilde, President, Connecticut General Life Insurance Company, Hartford, Connecticut. The subcommittee set up to work with investment banking firms in the Eastern District is under the chairmanship of Percy M. Stewart, Kuhn, Loeb and Company, 52 William Street, New York City.

Conclusions

The Voluntary Credit Restraint Program is a commendable step which is being taken by the cooperating financial institutions in an effort to help check inflation. It is evidence that these institutions recognize the public responsibility involved in the influence of their activities on the money supply and total purchasing power.

One requirement for the success of the program is that credit be granted only for essential productive purposes. In making this decision, the officers of the individual financial institution have access to the most reliable information about prospective borrowers, their need for credit, and the purposes for which it is to be used. Undoubtedly, they

are in the best position to determine whether the proceeds of a loan are to be used for non-inflationary purposes.

The second requirement is that the total quantity of credit must not rise more rapidly than the physical output of goods and services increases. It is much more difficult for the financial institutions through their voluntary program to fully achieve this second objective. In the first place, officers of the local institution cannot measure with certainty the effect of a specific loan on the total output of goods and services. Second, effective restraint requires the cooperation of all financial institutions. Otherwise, the efforts to restrict credit by cooperating institutions will be nullified by the liberal policies of institutions not cooperating.

Publications Available on Request

The following publications deal with some of the problems of mobilization, monetary and fiscal problems, and the purposes and operations of the Federal Reserve System:

The monthly *Business Review*, The Federal Reserve Bank of Philadelphia

"Problems in a Mobilized Economy," *Annual Report* for 1950, The Federal Reserve Bank of Philadelphia

"The Quest for Stability,"—an analysis of monetary and fiscal problems, The Federal Reserve Bank of Philadelphia

"Bank Reserves,"—some major factors affecting them, including Treasury Tax and Loan accounts, gold flows, and Federal Reserve float. The Federal Reserve Bank of New York

"The Federal Reserve System—Its Purposes and Functions," Board of Governors, Federal Reserve System, Washington, D. C.

You may get additional copies of the monthly *Business Review* or have your name placed on the mailing list to receive it regularly; and obtain copies of the other publications listed above by sending your request to the Research Department, The Federal Reserve Bank of Philadelphia, Philadelphia 1, Pennsylvania.

CURRENT TRENDS

March, in the Third Federal Reserve District, was characterized by variations in the movements of business and banking indicators. Industrial output and employment increased, department store sales and construction awards declined, while bank deposits and consumer prices were unchanged.

The durable goods industries were largely responsible for the rise in production in Pennsylvania factories, but operations in soft-goods plants also advanced slightly. To expand total output, manufacturers hired additional workers and lengthened the work week. As activity increased, individual pay checks grew fatter and company payrolls larger.

Consumer buying during the Easter season was not as good as was hoped for by many merchants. While department store sales in March topped those of last year, an even greater volume was anticipated in view of the earlier date of Easter and the higher levels of employment and income. Sales during the month were substantially below the dollar volume of February.

The consumer price index for Philadelphia was virtually unchanged in March and remained 12 per cent above last year's level. The failure to advance was primarily due to a drop in the cost of food which about offset increases in the prices of other cost-of-living items. Nationally, wholesale prices, as well as consumer prices, crept forward during the month but weekly figures for April indicate a lull in the price rise.

Loans to business and to purchase securities increased at Third District reporting member banks in the five weeks through April 25. Real estate loans showed little change while consumer loans declined. Expansion of loans at all commercial banks in the United States during the first quarter of 1951 exceeded \$1.5 billion—an amount considerably greater than in the first quarter of other recent years.

The nation's money supply declined seasonally in March, largely because of a reduction in deposits held by businesses and individuals, and currency outside banks. The deposit decline reflected the seasonal shift of funds from private to Government balances as a result of income tax payments. An outflow of gold also tended to reduce deposits. These factors tending to reduce the money supply were only partially offset by the increase in loans.

SUMMARY	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	March 1951 from		3 mos. 1951 from	March 1951 from		3 mos. 1951 from
	mo. ago	year ago	year ago	mo. ago	year ago	year ago
OUTPUT						
Manufacturing production . . .	+ 2*	+19*	+17*	+ 1	+20	+21
Construction contracts . . .	- 2	+35	+45	+ 9	+ 9	+22
Coal mining . . .	-40	-50	+ 4	- 6	-21	+34
EMPLOYMENT AND INCOME						
Factory employment . . .	+ 1*	+13*	+12*	0	+14	+14
Factory wage income . . .	+ 3*	+34*	+30*			
TRADE**						
Department store sales . . .	-12	+ 8	+20	-11	+ 6	+19
Department store stocks . . .	+ 5	+34		+ 5	+28	
BANKING						
(All member banks)						
Deposits . . .	0	+ 4	+ 5	-0	+ 7	+ 6
Loans . . .	+ 2	+26	+26	+ 2	+27	+26
Investments . . .	0	- 9	- 8	0	- 8	- 8
U. S. Govt. securities . . .	- 1	-12	-11	0	-12	-12
Other . . .	0	+ 5	+ 8	+ 1	+17	+19
PRICES						
Wholesale . . .				0	+20	+20
Consumers . . .	0†	+12†	+11†	0	+10	+10
OTHER						
Check payments . . .	+23	+10	+20	+26	+24	+24
Output of electricity . . .	- 2	+ 8	+12			

LOCAL CONDITIONS	Factory*		Department Store		Check Payments					
	Employment		Payrolls							
	Sales		Stocks							
	Per cent change March 1951 from		Per cent change March 1951 from		Per cent change March 1951 from					
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago				
Allentown . . .	+2	+21	+5	+46		+17	+19			
Altoona . . .	-1	+28	+2	+66		+ 8	+28			
Harriaburg . . .	+1	+10	+2	+32		+33	+33			
Johnstown . . .	+3	+25	+2	+56		+17	+28			
Lancaster . . .	+1	+ 8	+2	+28	+30	+13	+10	+25	+22	+12
Philadelphia . . .					+15	+ 9	+11	+38	+23	+ 5
Reading . . .	+2	+ 8	+3	+25	+ 6	+ 2	+19	+35	+23	+29
Scranton . . .	-2	+ 6	-1	+18					+17	+17
Trenton . . .					+28	+17	+ 8	+23	+24	+27
Wilkes-Barre . . .	0	+ 5	+1	+17	+23	+11	+11	+37	+12	+26
Williamsport . . .	0	+16	+1	+38					+16	+28
Wilmington . . .	0	+13	+3	+29					+43	+28
York . . .	-3	+10	-1	+27	+21	+18	+15	+29	+18	+27

*Pennsylvania

**Adjusted for seasonal variation. †Philadelphia.

*Not restricted to corporate limits of cities but covers areas of one or more counties.

*Pennsylvania

**Adjusted for seasonal variation. †Philadelphia.

*Not restricted to corporate limits of cities but covers areas of one or more counties.

MEASURES OF OUTPUT

	Per cent change		
	March 1951 from		3 mos. 1951 from year ago
	month ago	year ago	
MANUFACTURING (Pa.)	+ 2	+19	+17
Durable goods industries.....	+ 3	+31	+27
Nondurable goods industries.....	+ 1	+ 6	+ 5
Foods.....	0	+ 2	+ 2
Tobacco.....	+ 2	+ 4	+ 1
Textiles.....	+ 3	+ 2	+ 3
Apparel.....	+ 3	+ 6	+ 3
Furniture.....	- 1	+ 6	+ 6
Paper.....	+ 1	+12	+13
Printing and publishing.....	+ 4	+ 2	+ 1
Chemicals.....	+ 3	+19	+16
Petroleum and coal products.....	+ 1	+ 8	+ 5
Rubber.....	+ 3	+26	+26
Leather.....	- 2	+ 3	+ 4
Stone, clay and glass.....	+ 2	+20	+18
Primary metal industries.....	+ 3	+37	+28
Fabricated metal products.....	+ 4	+41	+39
Machinery (except electrical).....	0	+31	+33
Electrical machinery.....	+ 1	+23	+22
Transportation equipment.....	+13	+38	+20
Instruments and related products.....	+ 1	+37	+36
Misc. manufacturing industries.....	0	+24	+23
COAL MINING (3rd F. R. Dist.)* ..	-40	-50	+ 4
Anthracite.....	-46	-56	- 4
Bituminous.....	- 4	- 8	+76
CRUDE OIL (3rd F. R. Dist.)**	+ 9	+ 3	+ 5
CONSTRUCTION — CONTRACT AWARDS (3rd F. R. Dist.)†	- 2	+35	+45
Residential.....	- 3	+57	+51
Nonresidential.....	0	+62	+72
Public works and utilities.....	- 5	-22	+ 1

*U.S. Bureau of Mines.

**American Petroleum Inst.-Bradford field.
†Source: F. W. Dodge Corporation. Changes computed from 3-month moving averages, centered on 3rd month.

EMPLOYMENT AND INCOME

Pennsylvania Manufacturing Industries*	Employment			Payrolls			Average Weekly Earnings		Average Hourly Earnings	
	Mar. 1951 (In- dex)	Per cent change from		Mar. 1951 (In- dex)	Per cent change from		Mar. 1951	% chg. from year ago	Mar. 1951	% chg. from year ago
		mo. ago	year ago		mo. ago	year ago				
Indexes (1939 avg. =100)										
All manufacturing.....	142	+1	+13	401	+ 3	+34	\$63.44	+ 18	\$1.560	+12
Durable goods industries.....	169	+1	+21	456	+ 4	+46	69.67	+21	1.681	+12
Nondurable goods industries.....	116	0	+ 3	330	+ 1	+16	54.58	+12	1.380	+ 9
Foods.....	122	-2	+ 5	286	+ 1	+11	52.22	+ 6	1.306	+ 7
Tobacco.....	90	0	- 1	242	+ 2	+13	35.18	+14	.918	+ 9
Textiles.....	84	-2	0	260	- 3	+13	55.23	+13	1.395	+11
Apparel.....	140	+1	+ 2	425	+ 2	+15	42.91	+13	1.141	+ 9
Lumber.....	161	-1	+ 2	414	- 1	+15	44.75	+13	1.087	+ 8
Furniture.....	138	0	0	410	+ 1	+ 6	54.71	+ 6	1.255	+ 6
Paper.....	150	0	+ 8	445	+ 2	+24	64.18	+14	1.459	+10
Printing and publishing.....	120	+1	+ 2	315	+ 4	+ 8	74.36	+ 6	1.875	+ 5
Chemicals.....	154	+2	+15	428	+ 2	+32	66.05	+15	1.571	+10
Petroleum and coal products.....	154	+1	+ 4	408	+ 1	+17	79.49	+13	1.957	+ 8
Rubber.....	245	+2	+27	654	+ 2	+39	66.14	+10	1.696	+ 9
Leather.....	92	-1	- 1	250	- 2	+10	46.64	+11	1.193	+ 8
Stone, clay and glass.....	145	+1	+14	405	+ 3	+33	64.02	+17	1.581	+11
Primary metal industries.....	140	+1	+20	389	+ 4	+55	77.29	+29	1.896	+13
Fabricated metal products.....	186	+2	+29	527	+ 5	+59	67.20	+23	1.584	+13
Machinery (except electrical).....	241	+1	+22	666	0	+42	70.06	+16	1.625	+10
Electrical machinery.....	270	0	+22	594	0	+32	61.60	+ 8	1.512	+ 6
Transportation equipment.....	155	+6	+30	418	+17	+50	76.69	+15	1.892	+11
Instruments and related products.....	183	+1	+29	531	+ 2	+55	66.39	+21	1.596	+13
Misc. Manufacturing Industries.....	148	0	+21	394	+ 2	+38	54.43	+14	1.289	+11

*Production workers only.

TRADE

Third F. R. District Indexes: 1935-39 Avg. = 100 Adjusted for seasonal variation	Mar. 1951 (Index)	Per cent change		
		Mar. 1951 from		3 mos. 1951 from year ago
		month ago	year ago	
SALES				
Department stores.....	283*	-12	+ 8	+20
Women's apparel stores.....	207	-14	0	+11
Furniture stores.....		+ 8*	- 6*	+17*
STOCKS				
Department stores.....	320*	+ 5	+34	
Women's apparel stores.....	268	+ 5	+21	
Furniture stores.....		+ 7*	+40*	
Recent Changes in Department Store Sales in Central Philadelphia				Per cent change from year ago
Week ended April 7.....				-16
Week ended April 14.....				+17
Week ended April 21.....				- 3
Week ended April 28.....				+ 2

* Not adjusted for seasonal variation. * - preliminary.

Departmental Sales and Stocks of Independent Department Stores Third F. R. District	Sales		Stocks (end of month)		
	% chg. Mar. 1951 from year ago	% chg. 3 mos. 1951 from year ago	% chg. Mar. 1951 from year ago	Ratio to sales (months' supply) March	
				1951	1950
Total — All departments.....	+ 6	+15	+ 36	3.5	2.7
Main store total.....	+ 6	+16	+ 35	3.8	3.0
Piece goods and household textiles.....	- 6	+22	+ 43	5.6	3.7
Small wares.....	0	+ 4	+ 22	4.7	3.9
Women's and misses' accessories.....	+15	+17	+17	2.8	2.8
Women's and misses' apparel.....	+ 6	+15	+16	1.9	1.8
Men's and boys' wear.....	+ 9	+21	+24	4.5	3.9
Housefurnishings.....	- 1	+18	+ 61	5.3	3.3
Other main store.....	+20	+12	+ 50	4.0	3.1
Basement store total.....	+ 5	+11	+ 40	2.4	1.8
Domestics and blankets.....	- 9	+23	+133	6.0	2.3
Small wares.....	+ 9	+ 1	0	1.7	1.2
Women's and misses' wear.....	+ 7	+10	+12	1.4	1.3
Men's and boys' wear.....	+14	+16	+ 47	3.0	2.4
Housefurnishings.....	-18	- 2	+ 76	4.9	2.3
Shoes.....	+26	+22	+ 20	2.6	2.8
Nonmerchandise total.....	+ 4	+ 8			

CONSUMER CREDIT

Sale Credit Third F. R. District	Sales		Receiv- ables (end of month)
	% chg. March 1951 from year ago	% chg. 3 mos. 1951 from year ago	% chg. March 1951 from year ago
Department stores			
Cash	+ 4	+12
Charge account	+14	+24	+26
Installment account	+ 3	+ 6	+10
Furniture stores			
Cash	- 6	+17
Charge account	+33	+28
Installment account	+ 5	+19	+10
Loan Credit Third F. R. District	Loans made		Loan bal- ances out- standing (end of month)
	% chg. March 1951 from year ago	% chg. 3 mos. 1951 from year ago	% chg. March 1951 from year ago
Consumer installment loans			
Commercial banks	-10	- 5	- 2
Industrial banks and loan companies	+11	+ 7	+ 8
Small loan companies	+24	+14	+11
Credit unions	+ 8	+13	+27

PRICES

Index: 1935-39 average = 100	March 1951 (Index)	Per cent change from		
		month ago	year ago	
Wholesale prices—United States	228	0	+20	
Farm products	268	+1	+28	
Foods	236	-1	+20	
Other	212	0	+18	
Consumer prices				
United States	185	0	+10	
Philadelphia	185	0	+12	
Food	218	-1	+14	
Clothing	203	0	+12	
Rent				
Fuel	154	+1	+7	
Housefurnishings	226	+1	+19	
Other	171	+1	+12	
Weekly Wholesale Prices—U.S. (Index: 1935-39 average = 100)	All com- modi- ties	Farm prod- ucts	Foods	Other
Week ended April 10	227	265	235	212
Week ended April 17	227	265	236	212
Week ended April 24	228	266	238	211
Week ended May 1	228	265	238	211

Source: U.S. Bureau of Labor Statistics.

BANKING

MONEY SUPPLY AND RELATED ITEMS United States (Billions \$)	Mar. 28 1951	Changes in—	
		four weeks	year
Money supply, privately owned	172.5	-1.7	+ 5.4
Demand deposits, adjusted	89.0	-1.6	+ 5.2
Time deposits	59.1	+ .1	- .2
Currency outside banks	24.4	- .2	- .3
Turnover of demand deposits	22.1*	+2.8*	+16.9*
Commercial bank earning assets	125.7	+ .7	+ 5.4
Loans	54.4	+ .9	+10.7
U.S. Government securities	58.8	- .3	- 7.0
Other securities	12.5	+ .1	+ 1.7
Member bank reserves held	19.0	0	+ 2.2
Required reserves (estimated)	18.6	+ .2	+ 3.3
Excess reserves (estimated)	.4	- .2	- .1

Changes in reserves during 4 weeks ended March 28,
reflected the following:

(Billions \$)	Effect on reserves
Increase in Reserve Bank holdings of Governments	+ .7
Miscellaneous	+ .2
Net payments to the Treasury	- .6
Gold and foreign transactions	- .2
Other Federal Reserve Bank credit	- .1
Change in reserves	0

* Annual rate for the month and per cent changes from month and year ago
at leading cities outside N. Y. City.

OTHER BANKING DATA	April 25 1951	Changes in—	
		five weeks	year
Weekly reporting banks—leading cities United States (billions \$):			
Loans—			
Commercial, industrial and agricultural	19.1	- .1	+ 5.6
Security	2.0	- .2	- .4
Real estate	5.4	+ .1	+ .9
To banks	.5	0	+ .1
All other	5.9	0	+ 1.3
Total loans—gross	32.9	- .2	+ 7.6
Investments	37.4	- .4	- 4.2
Deposits	80.0	- .8	+ 5.5
Third Federal Reserve District (millions \$):			
Loans—			
Commercial, industrial and agricultural	750	+10	+264
Security	56	+ 6	+ 17
Real estate	139	+ 1	+ 31
To banks	7	+ 3	- 1
All other	388	- 3	+ 67
Total loans—gross	1,340	+17	+378
Investments	1,532	-48	-299
Deposits	3,200	-31	+139
Member bank reserves and related items United States (billions \$):			
Member bank reserves held	19.2	- .1	+ 3.3
Reserve bank holdings of Governments	22.9	+ .6	+ 5.3
Gold stock	21.8	0	- 2.4
Money in circulation	27.1	0	+ .2
Treasury deposits at Reserve Banks	.7	+ .1	- .3
Federal Reserve Bank of Phila. (millions \$):			
Loans and securities	1,454	+33	+273
Federal Reserve notes	1,629	- 3	+ 29
Member bank reserve deposits	879	- 8	+131
Gold certificate reserves	1,190	-17	-141
Reserve ratio (%)	45.1%	- .6%	- 0.3%

in—
year

+ 5.4
+ 5.9
- .3
- .3

+16.9

+ 5.4
+10.7
- 7.6
+ 1.7

+ 8.2
+ 8.3
- .1

average

in—
year

+ 5.6
- .4
+ .9
+ .9
+ 1.3
+ 7.6
- 4.3
+ 5.5

+264
+ 17
+ 31
- 1
+ 67

+376
-299
+129

+ 8.3
+ 5.3
- 2.4
+ .1
- .3

+273
+ 30
+131
-141
- 8.3%